



# PSE 2023 GREEN BOND ALLOCATION REPORT

MAY 2024



# PUGET ENERGY AND PUGET SOUND ENERGY

Puget Energy, Inc. (“PE”) is owned through a holding company structure by Puget Holdings LLC under the ownership of a consortium of long-term infrastructure investors. Puget Sound Energy, Inc. (“PSE”) is a wholly-owned subsidiary and primary operating company of PE and is the oldest and largest investor-owned electric and natural gas utility Washington State.

Headquartered in Bellevue, Washington with a 6,000-square-mile service area stretching across 10 counties, PSE serves approximately 1.2 million electric and 900,000 natural gas customers. PSE’s core operations include electricity generation, electric power transmission and distribution and natural gas distribution and storage.

PSE is undergoing the most significant transformation in its 150-year history as it strives to meet Washington state’s clean energy laws—some of the most ambitious in the nation—while delivering on customer expectations for energy that is clean as well as safe, reliable and affordable. PSE has also set its own aspirational goal of being a Beyond Net Zero Carbon energy company by 2045, reducing our carbon emissions to net zero and going beyond by helping other sectors, like transportation, reduce their emissions.

As such, PSE is aggressively pursuing renewable energy resources, from large generation projects to energy produced locally in the neighborhoods and communities that PSE serves. Since 2021, PSE has obtained nearly 2300 MW of clean energy resources. By the end of 2025, PSE is targeting 63% renewable energy in its portfolio, nearly double its percentage of 34% in 2020. This includes recent additions of 890 MW of wind, 250 MW of hydroelectricity, and 27 MW of biomass, with more resources to be added in the future.

Customers are key to PSE’s clean energy transition. PSE is partnering with them through programs like demand response and Community Solar, reducing the need to acquire more generation resources and expanding access to clean energy, especially to those who may not otherwise be able to afford it.



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# SUSTAINABLE FINANCING FRAMEWORK

In support of these commitments, PE established its Sustainable Financing Framework (“Framework”) in 2023, to enable PE or any of its subsidiaries to issue Green, Sustainable or Social Bonds or other financial instruments for investment in new or existing projects or assets that are aligned with the company’s environmental, social and governance (ESG) strategy and that meet the eligibility requirements outlined in the Framework. Sustainable financing proceeds will be allocated to eligible project categories including renewable energy, energy efficiency, clean transportation, climate change adaptation, biodiversity conservation, water and wastewater management, pollution prevention and control, green innovation and socio-economic advancement. Investment in renewable energy and associated infrastructure is in alignment with and driven by the requirements of Washington State laws, such as the Clean Energy Transformation Act, the Climate Commitment Act and the Clean Fuel Standard.

PE received a second-party opinion from Sustainalytics, an independent global provider of ESG ratings and research, expressing its opinion that the Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and the Social Loan Principles 2023.

## ALLOCATION UPDATE OF 2023 PSE GREEN BONDS

On May 15, 2023, PSE issued \$400 million principal amount of 5.448% Senior Notes due 2053 pursuant to the Framework (the “Green Bonds”). As part of the commitment under the Framework, this Green Bond Allocation Report aims to address the allocation of funds and its impact, to ensure transparency for investors and other interested parties.

The net proceeds from the Green Bonds was approximately \$396.5 million. As of December 31, 2023, the amount is fully allocated to Eligible Projects within the Renewable Energy category as defined in the Framework.

Issuing Entity	PSE
Sustainable Financing Instrument	Green Bonds
Ratings	A2 (stable) by Moody’s Investors Service, Inc. A- (stable) by S&P Global Ratings A (stable) by Fitch Ratings
Trade Date	May 15, 2023
Settlement Date	May 18, 2023
Maturity Date	June 1, 2053
Principal Amount	\$400 million
Net Proceeds	\$396.5 million
Coupon	5.448%
CUSIP	745332 CL8

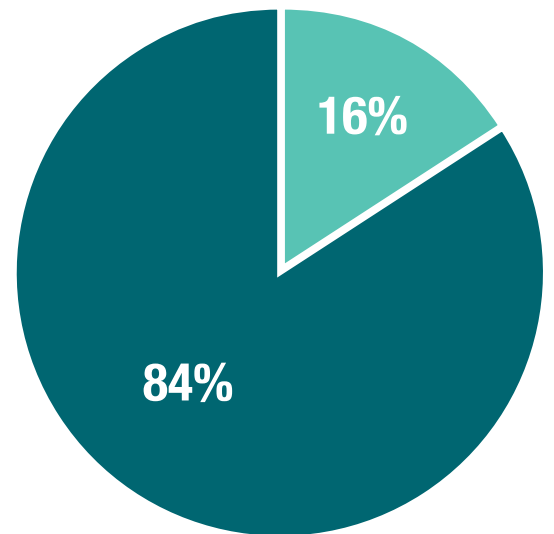




# NET BOND PROCEEDS WERE ALLOCATED TO WIND AND HYDROELECTRIC PROJECTS

PSE allocated **16%** of the net proceeds from the sale of the Green Bonds to renewable energy projects funded during the refinance period January 2023 – May 2023. PSE allocated the remaining **84%** of the proceeds to renewable energy projects in the current period June 2023 – December 2023.

The following is a brief overview of the renewable energy projects to which the net proceeds were allocated and the impact it has on helping PSE deliver clean energy to our customers.



● REFINANCE PERIOD  
● CURRENT PERIOD

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## BEAVER CREEK WIND FARM

**Amount allocated:** \$243.7 million

**Location:** Stillwater County, Montana

**Capacity:** 248 MW

Beaver Creek Wind Farm is under development and is expected to be operational in 2025. Assuming a capacity factor of 35%, the annual generation will be equivalent to approximately 330,000 metric tons CO<sub>2</sub>e of avoided emissions\*.

\* Avoided emissions were calculated assuming the electricity would need to be replaced with "unspecified" market purchases using Equation 4 at Washington Administrative Code 173-444-040(4).

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## WIND FARM POWER PURCHASE AGREEMENTS

**Amount allocated:** \$66.6 million

**Location:** Sherman County, Oregon (Golden Hills Wind Farm) and Rosebud, Custer and Garfield Counties, Montana (Clearwater Wind Project, LLC)

**Capacity:**

- Golden Hills: 200 MW
- Clearwater: 350 MW

In 2023, both facilities generated approximately 1,892,000 MWh. The combined 2023 generation is equivalent to approximately 820,000 metric tons CO<sub>2</sub>e of avoided emissions\*.

\* Avoided emissions were calculated assuming the electricity would need to be replaced with “unspecified” market purchases using Equation 4 at Washington Administrative Code 173-444-040(4).

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# LOWER BAKER DAM SAFETY AND MODERNIZATION PROJECT

**Amount allocated:** \$86.2 million

**Location:** near Concrete, Washington

**Capacity:** 105 MW

The safety and modernization project is designed to reduce water seepage through the dam foundation and abutments. This important maintenance work will ensure the continued reliability and structural integrity of the dam for decades to come. While seepage is a typical occurrence with dams, it needs to be controlled to prevent foundation erosion or damage to the concrete structures over time. PSE has regularly managed seepage at Lower Baker Dam since its construction in 1925, using the best technology available at the time.

In 2023, Lower Baker Dam hydroelectric facility generated approximately 263,000 MWh of clean electricity. This generation is equivalent to approximately 115,000 metric tons CO<sub>2</sub>e of avoided emissions\*.

\* Avoided emissions were calculated assuming the electricity would need to be replaced with “unspecified” market purchases using Equation 4 at Washington Administrative Code 173-444-040(4).

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## MANAGEMENT'S ASSERTION

PSE management asserts that as of the date of this report, an amount equal to or in excess of the net proceeds from the sale of the Green Bonds has been allocated/disbursed to finance and/or refinance, in whole or in part, investments in or expenditures on one or more new and/or existing Eligible Projects incurred during the period from January 1, 2023 through December 31, 2023. As a result, there are no net proceeds from the issuance of the Green Bonds remaining to be allocated/disbursed.

## EXTERNAL REVIEW

Sustainalytics has examined management's assertion that allocations reported herein were disbursed for Eligible Projects within the Framework criteria. Sustainalytics' independent report is available on our website.

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*This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. This act provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these as forward-looking and provide meaningful cautionary language identifying important factors that could cause actual results to differ from the projected results. This report includes forward-looking statements, which are statements of expectations, beliefs, plans, objectives and assumptions of future events or performance. Words or phrases such as “anticipates,” “believes,” “continues,” “could,” “estimates,” “expects,” “future,” “intends,” “may,” “might,” “plans,” “potential,” “predicts,” “projects,” “should,” “will likely result,” “will continue” or similar expressions are intended to identify certain of these forward-looking statements and may be included in discussion of, among other things, our anticipated operating or financial performance, business plans and prospects, planned capital expenditures and other future expectations. In particular, these include statements relating to future actions, business plans and prospects, future performance expenses, the outcome of contingencies, such as legal proceedings, government regulation and financial results.*

*Forward-looking statements reflect current expectations and involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed. There can be no assurance that PE’s and PSE’s expectations, beliefs or projections will be achieved or accomplished.*

*Any forward-looking statement speaks only as of the date on which such statement is made and, except as required by law, PE and PSE undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. For further information, see the reports on Form 10-K, 10-Q and current reports on Form 8-K.*



